

## A healthcare trust for defensive growth

Polar Capital Global Healthcare proved in 2022 that it can offer investors protection against downturns. Val Cipriani reports

**Polar Capital Global Healthcare** PCGH 391p

BUY

CLOSED-END INVESTMENTS

- More defensive than peers
- Excellent performance record
- Buybacks and tenders should keep discount low
- Could struggle in bullish markets
- Sector could fall out of favour

These days, most of us know someone who uses weight-loss drugs, if we haven't tried them ourselves. It's just one prominent example of how healthcare companies can have a huge impact on society.

The long-term case for investing in healthcare is clear, and supported by an unquestionable trend: populations around the western world are ageing, and as they do, more people will need medicines and care. But as often with investing, things are more complicated in the short and medium term.

The past three years have been difficult for the healthcare sector due to a combination of higher interest rates, trade tariff uncertainty and the market's focus on tech companies. But the final quarter of 2025 saw a rebound, and as the *IC's* Julian Hofmann recently explained ('How to invest in the healthcare revival', *IC*, 5 March), there are reasons for optimism, including relatively attractive valuations encouraging investors back into the sector.

**Polar Capital Global Healthcare (PCGH)** is an investment trust that provides diversified exposure to the different corners of healthcare, offering long-term growth but with some defensive features that can help it withstand volatile times – such as those we are living through.

### A trust for turbulent times?

Healthcare is traditionally seen as a conservative sector that can tolerate economic downturns, because it sells goods and services that people cannot easily cut down on. This does depend on which parts of the sector you look at – while the big pharma companies certainly have defensive qualities, the same cannot be said for small, still unprofitable biotechs that are trying to develop new drugs.

Pharmaceutical companies make up about 45 per cent of Polar Capital Global Healthcare's portfolio. This is a little below the weighting in its benchmark, the MSCI All Country World Index/Healthcare, but a good deal more than its main competitor, **Worldwide Healthcare (WWH)**.

Worldwide Healthcare is indeed more focused on the growth side of the healthcare sector, and has a higher exposure to biotech, including about a tenth of the portfolio in a "biotech M&A basket" – companies that are developing promising drugs that managers think might end up being bought out by the bigger players in the sector.

The first chart on page 45 shows how the two trusts performed over the course of 2022, the last calendar year that saw global stocks finish in the red, as the impact of the war in Ukraine and the subsequent interest rate hikes hit economies and markets across the world.

That year, the healthcare index performed pretty well, and Polar Capital did better. Meanwhile, Worldwide Healthcare struggled as much as global stocks, as the market fretted about the effect of higher interest rates on growth companies. Of course, this isn't 2022 – there are similarities, but also differences.

We are also facing a huge energy shock, which could lead to higher interest rates than the market had been expecting. But we are starting from higher rates in the first place, and many economies are not looking quite as resilient, so central banks are unlikely to increase rates at the pace they did in 2022.

Another distinction is that global markets seem to be taking geopolitical events in their stride; we have yet to witness a serious sell-off, or a rotation into more defensive businesses. Between the start of the war in Iran at the beginning of March and 10 April, global stocks were only down a couple of percentage points (partly as a result of the 'ceasefire rally' last week); the Polar Capital trust lost about 6 per cent.

Yet things could change as the energy supply shock caused by the war filters through, and as it gradually becomes apparent that a quick return to prewar conditions, while not completely impossible, is unlikely.

It is also important to keep in mind that while Polar Capital Global Healthcare does have some defensive exposure, it maintains a focus on growth, with a circa 23 per cent exposure to biotech and 28 per cent of its holdings consisting of small and mid-cap companies.

Biotech companies enjoyed a solid year in 2025, as M&A activity picked up pace again after a long slowdown. If interest rates do climb higher again, that recovery could suffer.

However, there is also an argument to suggest that, regardless of rates, the big pharmaceutical companies don't have too much time to wait things out.

This is because many are facing a 'patent cliff', or the moment when patents for drugs they have developed expire, which then allows makers of cheaper 'generic' equivalents to undercut them. Between 2025 and 2030, such expiries will affect \$150bn (£112bn) of industry revenues, or a quarter of the total, according to the trust's managers, James Douglas and Gareth Powell.

This constitutes "a major incentive for large pharmaceutical companies to look for acquisitions, particularly of biotech companies with late-stage products that are close to being marketed", they add. By 2030, as things stand, "50 per cent of AstraZeneca's revenues and 31 per cent of GSK's will be subject to generic competition".

"For investors, M&A has been a meaningful driver of returns," they explain. "Takeover premiums in healthcare are often substantial, with premiums of more than 50 per cent to the pre-announcement share price not uncommon."

### PERFORMANCE

Trust/index/sector	1 year (%)	3 years (%)	5 years (%)	10 years (%)
Polar Capital Global Healthcare	25	24.4	61.2	157
MSCI ACWI/Health Care	10.1	5.8	28.5	125.5
AIC biotechnology & healthcare sector	49.3	29.3	3.1	106.9

Source: FE, as at 10 April 2026. Total return.

## A global pharma focus

Polar Capital Global Healthcare is pretty concentrated at 39 positions, with the top holdings including giants such as **Eli Lilly (US:LLY)**, **AstraZeneca (AZN)** and **Roche (CH:RO)**. With about half of the portfolio in the US, the trust is underweight to the country compared with both the index and Worldwide Healthcare (which has 71 per cent of its portfolio in North America).

At the start of 2026, Douglas said that in terms of subsectors, he was positive on biotech and healthcare services, with the former benefiting from the M&A recovery and from “lots of exciting new product cycles”, while the latter is being boosted by growing patient volumes and demand.

“Where we are a bit more cautious at the moment, certainly relative to a couple of years ago, is healthcare equipment,” he added. “It is not because there are not good companies, but we just feel valuations are a bit rich and some of the companies are maybe struggling to maintain top-line momentum.” As the second chart shows, Worldwide Healthcare does have more exposure to this area.

Polar Capital Global Healthcare’s managers deploy some gearing (currently around 5 per cent), which can boost performance when things go well but exacerbate losses if the portfolio struggles.

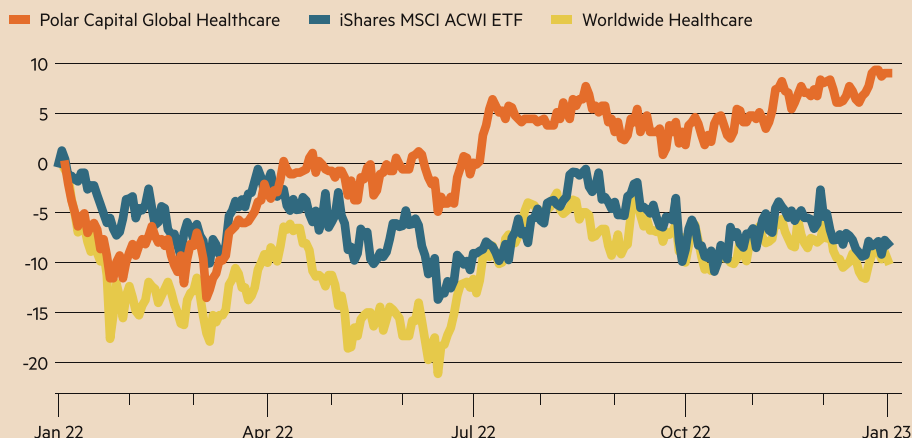
At present, the trust has an excellent performance record and trades very near its net asset value (NAV) - compared with a 7.6 per cent discount for Worldwide Healthcare. This is a potential risk: if performance worsens for any reason then the discount could widen too, creating a double-whammy for investors.

The trust used to have a fixed life of five years, but this has recently been replaced by a 100 per cent tender offer to shareholders every five years (the next one is due in March 2031). The trust has also committed to continuing buybacks. Combined, the two should hopefully help keep the share price close to its NAV.

If you are considering adding dedicated exposure to healthcare to your portfolio in these volatile markets, Polar Capital Global Healthcare makes for an appealing option - the managers have repeatedly demonstrated their ability to navigate different environments, and the trust combines the steadiness of the big pharma companies with biotech’s growth potential. ●

## POLAR CAPITAL GLOBAL HEALTHCARE HELD UP WELL IN 2022

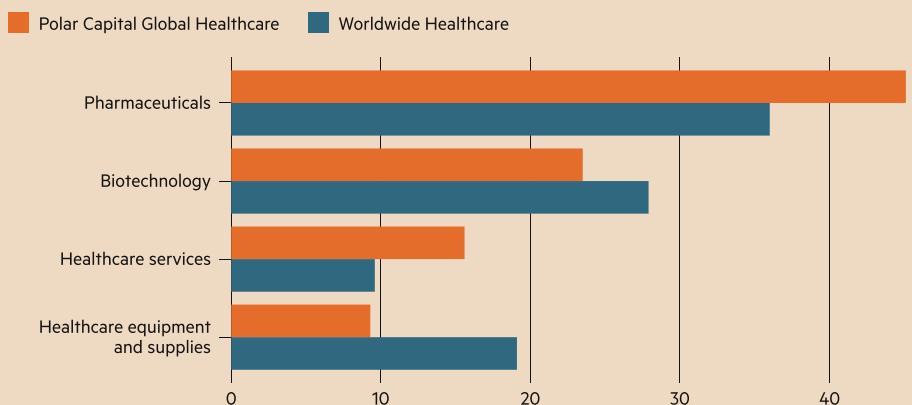
2022 sterling share price total return (%)



Source: FE

## HOW THE TWO HEALTHCARE TRUSTS COMPARE

Portfolio exposure to healthcare subsectors (%)



Source: Trust factsheets, as at 28 February

## POLAR CAPITAL GLOBAL HEALTHCARE (PCGH)

Price (p)	391p	Share price premium to NAV	1.89%
AIC sector	Biotechnology & healthcare	Gearing	4%
Market cap	£381mn	Ongoing charge	0.9%
Fund type	Investment trust	Launch date	15 Jun 2010
Dividend yield	0.6%	More details	<a href="http://www.polarcapitalglobalhealthcaretrust.co.uk">www.polarcapitalglobalhealthcaretrust.co.uk</a>

Source: AIC

## POLAR CAPITAL GLOBAL HEALTHCARE TOP 10 HOLDINGS

Holding	%
Eli Lilly	8.9
AstraZeneca	6.3
Roche	5.7
Chugai Pharmaceutical	4.9
CVS Health Corp	4.7
Thermo Fisher Scientific	4.4
Cigna Corp	3.9
Teva Pharmaceutical Industries	3.7
Fresenius SE & Co	3.6
Genmab A/S	3.1

Source: Trust factsheet, as at 28 Feb 2026